

COMMITTEE ON FINANCE

May 7, 2002

6:00 PM

Mayor Baines called the meeting to order.

The Mayor called for the Pledge of Allegiance, this function being led by Alderman Garrity.

A moment of silent prayer is observed.

The Clerk called the roll.

Present: Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, O'Neil, Lopez, Shea, Vaillancourt, Garrity, Smith, Thibault and Forest

Mayor Baines advised that the purpose of the meeting is to begin discussion relative to the FY2003 Municipal Operating Budget as follows:

a) Revenues

Mr. Clougherty stated as we have been reporting to the Board throughout the year in the monthly and quarterly reports in the Committee on Accounts, revenues this year are running behind projections and as a result of that we have not been taking a look to see a huge increase in terms of revenues into the future. We have handed out a couple of graphs here that were prepared today. I am going to let Randy speak to those. He prepared them this afternoon. It gives you an idea of where we are this year versus the Mayor's budget and then we can talk a little bit about the economics underneath each one of those and get into some specifics.

Mr. Sherman stated if we can focus on the first page, the red line on the top going across at about the \$46 million mark is the non-property tax revenues that were budgeted in FY02. It was actually like \$46.086 million. Part of that \$46 million included \$2 million that we put in the budget for the health claims audit. For those who are new Aldermen, what we did is we budgeted \$2 million of revenue to go out and audit our healthcare payments that we made. That money, if it is collected, would come in as a revenue and then on the expense side we also budgeted \$2 million so that we could pay the contingency fee to the company that collected those dollars. What I did here...in order to really look at what your non-property tax revenues are I kind of subtracted out that \$2 million so that you could just focus on the \$44 million level. The line that cuts up diagonal across the

page...we actually every year do a projection on a daily basis. We have about a 10-12 year history of revenue collections that we can take and sort of take the temperature of and project forward where we think the revenues are going to be. So if you follow that line up to the right hand corner there, that actually is coming up to about \$43.4 million. I think for the last several months we have been telling the Committee on Accounts that we thought we were going to be about \$800,000 short. This graph is showing that we are in the \$700,000 range. Again that is based on a number of years. Some of them were lean years and some of them were good years. There are some averages in there and there are obviously some adjustments that we feel needed to be made in certain numbers. I will point out around the first of June there is sort of a sharp increase. That is because we go in and do a lot of our year end accruals once we hit the month of June. If you notice, there is a little tail up again around June 30. Again, those are year-end accrual type numbers that we typically see. So what this first graph is telling you is that we budgeted in essence \$44.1 million and we believe that the FY02 numbers are going to come in at \$43.4 million, which means we are going to have about a \$700,000 shortfall. What the second graph shows is the history going back seven years and a projected FY02 graph. As far as where we are once we look at the dollars that the Board has budgeted in the past versus where we have actually turned out, the pink number there is the budget and the blue column is the actual. As you can see, most of the years we are within a real reasonable number of where our budgets are. It is not always the same revenues that carry the day. As one thing goes up something else is going down. I am not sure that we have really ever been able to get a correlation there and a real scientific formula to make a better prediction on that but as you can see most of those years with the exception of FY99, the actual number came in slightly higher than budget and for FY02...I will tell you that FY00, FY01 and FY02 also include bringing the School District's numbers in here so it would be comparative going back to 1995. You actually show for FY02 a slight decrease under the budget when you combine the two. Now we are thinking we are going to be \$700,000 short but School is saying they are going to be \$600,000 ahead so when you combine those numbers it is again a very slim margin, which is what you really saw going back 1995 through 1998. FY99 was the year that Claremont was coming in and there was an actual change in the funding from the State and we actually got whacked in 1999 and got paid back for it in FY00. That is why the FY99 budget is actually coming under. If we had those dollars in there again we would have been within 1% of the budget. The sharp increase, therefore, in FY00 going from FY99 is the Claremont money that comes into the equation. The last graph, what I am trying to show and I am not sure that I did...we basically break our non-property tax revenues into six categories. If you look at our quarterly reports you will see the six categories and on those reports we give a little bit more detail to them. What I am trying to show here is what I mentioned earlier and the fact that there really isn't a lot of consistency in how these revenues flow. I mean you don't see them all going up

consistently for the last seven or eight years. Some go up, some go down, some are staying relatively flat. The blue line that shoots dramatically up in FY00, again that is your Claremont money coming in and again it jumps up in FY02 and that is the increase in Claremont money again. The dark blue line that you see down at the bottom that is labeled as Other...the reason that one is jumping up is because that is when we started going to the chargeback process. That is now being picked up as a revenue on the City side. In general, most of these revenues are pretty flat. The only one that seems to have any consistent growth in it is the one labeled Licenses and Permits and that is the one that has auto registration in it. Auto registration represents almost 1/3 of your non-property tax revenues. Unfortunately it is not anything that the Board can control. You don't set the fees on it. You can't...if people aren't out buying new cars...you are not controlling it. In a down turned economy it grows a little bit slower. In a good economy and we have heard some fantastic numbers coming from car dealerships, it is going to grow. Typically I think it averages out somewhere around a 5% growth is what we have seen over a certain period of years. All of this being said, if I can speak real quickly on the Mayor's numbers, again we are projecting \$43.4 million for revenues this year. What the Mayor has in his...

Alderman O'Neil interjected where are you in the black budget book.

Mr. Sherman answered I am on the summary page. We can get copies for you and hand them out.

Alderman Wihby stated you said roughly \$600,000 or \$700,000 less than what we had projected for revenues. Where did you put the health money that the Mayor said there was \$400,000 or something that we had come up with? Where is that?

Mr. Sherman replied any money that we did collect is in that blue line.

Alderman Wihby asked so even with the money from...was it \$400,000...

Mr. Sherman interjected at this point we have been fairly cautious on that because even though they have identified items, they are still going back and forth with Anthem on whether or not Anthem agrees with them.

Alderman Wihby asked so we haven't collected \$400,000.

Mr. Sherman answered no we haven't collected \$400,000. They have identified a number of items but actually to date I believe we have only collected about \$27,000.

Mayor Baines asked but that number is not in there, Randy, is that what you are saying.

Mr. Sherman answered anything that they have uncovered but not collected we have not put in the account.

Alderman Wihby asked so the \$400,000 is not in there.

Mr. Sherman answered correct.

Alderman Wihby asked is the \$400,000 a number. Is it going to happen?

Mr. Sherman answered it is hard to tell. Anthem is going to fight it every place you go. There is no reason for them not to fight it.

Mr. Clougherty stated we have until the end of the year plus 60 days and it is unlikely that it is going to be collected during that period that is why we are not including it in that revenue for our year end number.

Alderman Wihby asked so are they disagreeing that something was found and it is now owed.

Mr. Sherman replied or not eligible or not their responsibility.

Alderman Wihby asked are they giving reasons why on each item and someone is reviewing that. Is that how that works?

Mr. Sherman answered yes.

Alderman Gatsas asked that \$400,000 isn't even for a completed year and that is only on the City side and not the School side.

Mr. Sherman answered there is a little bit of a period where School was still on our system that they have reviewed. Some of that \$400,000 is for the School Department. They have actually received the credit for part of their dollars. Not anywhere near...

Alderman Gatsas interjected but my understanding is that they were going back three years. Is that correct?

Mr. Sherman replied yes.

Alderman Gatsas asked so the \$400,000 is only for the first year they have looked at.

Mr. Sherman answered the only year they haven't looked at at this point is FY02.

Alderman Wihby asked why wouldn't the money, even though it is not going to come in for 60 days but it is from two or three years ago, why wouldn't you accrue the number in this year's...

Mr. Clougherty interjected because if we haven't received it between the end of the fiscal year and 60 years after, GAAP doesn't allow us to do that.

Mr. Sherman stated you have to have the funds...you have to have it received in order to recognize it under governmental accounting. I am not sure if this handout, Alderman O'Neil actually shows you what you were looking for. For FY02 we are projecting \$43.4 million. What the Mayor has in his budget is \$46,656,000 and again I am only talking about the City side and that is the far right hand column there. This is my own worksheet. This is not an official worksheet so if it looks kind of goofy in some areas that is just me. What I have done for that \$46 million is a couple of things. One, again I backed out the health claims audit so that we could get comparative numbers and I also backed out \$2,079,000 for the bag and tag again just to get comparative numbers. Once you do that, the Mayor's FY03 numbers are \$44.1 million. So he has effectively level budgeted the revenues. Now this year's revenues are coming in short but the budget is comparable to last year's budget, which means that there is an actual growth in there of about 1.5% on those numbers.

Mr. Clougherty stated what we are saying is that the Mayor's budget has a growth of 1.5% over what we anticipate the actual collections will be for this year. If you compare budget to budget, it is flat.

Mayor Baines stated we have anticipated about a 1.5% growth, which is very modest.

Mr. Sherman stated keeping in mind that auto registration is roughly 1/3 of the non-property taxes, there is a 3.5% increase on the auto registration number in the Mayor's number so that right there is picking up almost all of the increase. The difference between where we are projecting this year and where the Mayor has his numbers. Now again as you saw in that third graph, numbers go up and numbers go down and we tend to adjust the budget as we go forward. More so based on the most recent year because that is the trend that you are currently seeing. Some numbers have gone up for budgets and some have gone down. We try to match up

that \$43.4 million to last year's numbers and then take anything that we think is going to grow over that.

Alderman Lopez asked the \$700,000 that we are short and then you said \$600,000 surplus that the School has, looking at the agreement they have to put \$500,000 towards the deficit right or do they put it all.

Mr. Sherman answered according to the settlement agreement they will have to take the entire \$600,000 and offset that against their deficit. I hope I haven't misled anybody to think that our \$700,000 is going to be offset with the School number. I was just trying to put the graph so you could see the total City. It has almost consistently, every year, been right around its budget numbers.

Mr. Clougherty stated the School number is what they have given us. We are not saying that we think that is a right number. It is what they are saying their side is going to be. Under the agreement there are three sections that address the deficit and you have to look at all three, not just Item C which is the \$500,000 that you are talking about but Item A which says that all of the FY01 and FY02 surplus has to go to the reduction of the deficit.

Alderman Lopez stated if at the end we are short \$700,000 and we authorize you to transfer out of the rainy day fund the \$700,000 that takes care of this year's budget period right.

Mr. Clougherty replied right but when you look at a deficit you have to look at both the revenue and expense side.

Alderman Lopez asked and we have what in the rainy day, about \$10 million.

Mr. Clougherty answered \$9 million.

Alderman Shea asked could you go back over...you kind of went through quickly about the bag and tag and so forth. That was a little bit too fast for me.

Mr. Sherman stated on the spreadsheet that I handed out, in the right hand column are the numbers that are in the Mayor's budget, which is the \$46,656,635. In order to make the Mayor's current numbers comparable to our FY02 numbers, the first thing I did is the number right above that \$46 million, the \$500,000 is that health claims audit number again. I backed that out and then up under the Highway Department there is just over \$2 million of revenues that have been anticipated for bag and tag. Again, to make it comparative I backed that out.

Alderman Shea asked how much did you back out of the bag and tag. \$2.1 million?

Mr. Sherman answered it is like \$2,079,000 and change.

Alderman Thibault stated Randy I don't know if I heard you right but you said the \$600,000 that could be coming from School will not offset our \$700,000.

Mr. Sherman replied right. Right now we have two totally separate sets of books. By that settlement agreement that both Boards agreed to last year, their \$600,000, their surpluses will go to help offset their current fund deficit that they have.

Mr. Clougherty stated remember they started their fiscal year \$2.7 million in deficit so if they get \$600,000 in revenues, if that occurred, then that \$600,000 goes to the \$2.7 million and they end the year with a \$2.1 million cumulative deficit whereas on our side we are in a surplus.

Alderman Gatsas stated let's go back to Highway because I am looking at the revenues that the Mayor recommended, which was \$5,567,649 and on the tax rate of FY02 it is \$3,210,891. The difference is \$2.350 million. If you have \$2.1 million for the bag and tag what is the other \$250,000?

Mr. Sherman replied I think there were some increases in the reclamation trust fund, which is the auto registration fee that they get for recycling. I believe there was an increase in the tipping fees. I can go back and check all of those for you but there were various other increases and again it is all part of this first line. If Highway was a little bit higher last year than budget where interest earnings was done, then we would have come in and this year we would have increased the FY03 projections to be more in line with the FY02 actuals.

Alderman Gatsas stated and there is a \$500,000 increase in the Tax Collector and I assume that is for...

Mr. Sherman interjected mainly for auto registrations.

Mayor Baines stated the Committee on Accounts probably received the information regarding what is happening with auto registrations. We were very anxious about April and I think April increased about \$160,000 or somewhere around there.

Mr. Clougherty replied right. If you look last year at the auto registration there was a spike in April and in the Committee of Accounts we have been looking at that and we saw a slight increase in March and then in April we were...

Mayor Baines interjected in March we had a dramatic increase this year of about \$400,000 from last year, right Randy.

Mr. Sherman replied right. Last year the big spike was in April. It was almost \$600,000 higher than the April before. This year we saw a \$400,000 spike in March and then April was actually \$200,000 less than last year so combined we are still up for the March/April period as compared to last year but certainly not that same growth that we saw a year ago.

Mayor Baines stated some of the major auto dealers are saying basically that they are having the best quarter in history.

Mr. Sherman stated keep in mind that we saw an increase but you also budgeted an increase. It is not great but at least we are staying on budget on that line.

Mayor Baines stated that was a big concern of ours whether we would be able to sustain those revenues and the fact that they are responding in a very strong manner and because it is such an integral part of our revenue, that is extremely important.

Mr. Clougherty stated one of the issues that we have to look at is if you take all of the individual line items and budget them aggressively and you don't make them, that is when we have a problem. You can't just go through...at least from our thing...you can talk to all of the individual departments and look at all of the revenues and try to get them to increase them but if the bottom line trend is that you are up more than what it should be then you are going to get into a problem area and that is where we have had problems in the past. We can't deliver on some of those items so you can't just look at the good side or the positive side and exacerbate that out. You have to take a look at the downside on some of the other things because there is invariably during the year going to be some type of an economic situation that is going to impact us. We try not to budget every dime to the maximum. That is not a prudent way to go and in the past we have seen that we have gotten into trouble when the Board does that.

Mr. Sherman replied I was going to say that is why we are running into problems this year because we got whacked both on our parking revenues, which we were quite aggressive in, and our interest earnings. You have two major revenue sources that are both down. Now something like cable fees are up but it is not up enough to offset the two revenues that are coming down. Typically as we saw on the second graph, those tend to balance out.

Alderman O'Neil stated I just want to make sure I followed you. For tax rate purposes the revenues used are \$46,086,905 correct?

Mr. Sherman replied that is correct.

Alderman O'Neil stated but you said if you take the Mayor's recommendation and back out bag and tag which is a little over \$2 million and then the \$500,000 health audit then we are looking at a number of just over \$44 million.

Mr. Sherman replied \$44.1 million right.

Alderman O'Neil asked is the picture that is being painted then that currently we are looking in comparison of FY03 to FY02 we are actually looking at \$2 million less in revenues.

Mr. Sherman answered no because that extra \$2 million is the health claims audit.

Mr. Clougherty stated in one year you have the health claims audit and in one year you have the bag and tag and if you look at both of them...

Alderman O'Neil interjected they offset each other.

Mr. Sherman responded right.

Mr. Clougherty stated that is what we are looking at...not those one type revenues but the trend of the base overall.

Alderman O'Neil asked speaking of parking, where does that show up.

Mr. Sherman answered parking shows up under charges for services. On the spreadsheet it is under Traffic and on this third graph it is the yellow line, it is the charges for services. Again, if you look at that line you can see that it has gone up slightly because obviously we brought in more parking revenue. We still brought in \$350,000 more in parking revenue but it wasn't what you had projected.

Mr. Clougherty stated and we made that adjustment going forward rather than saying we were going to keep it at what was budgeted last year, which was wrong. We made that adjustment and that again is why we see a growth but you also have to make up for some of that down swing this year.

Alderman Gatsas stated the projection from FY01 to FY02 for growth is what percent.

Mr. Clougherty replied if I back out that health claim audit issue again...

Alderman Gatsas interjected instead of using those why don't we use... obviously if we can just use the top half of your graph here and use the \$44 million because that health audit isn't in there because it is on the bottom....can we just use that and subtract the \$2.1 million from the bag and tag and that gives us \$44 million.

Mr. Sherman replied yes it is about \$44 million. It is a 1.5% increase over actual. On a budget basis it is negligible. It is flat.

Alderman Gatsas responded let me ask another question then. The question I want to ask is the FY01 budget, what was the increase in revenues from FY01 to FY02.

Mr. Sherman asked on a budget basis.

Alderman Gatsas answered actual. If you can give me the dollars I can figure out the percentage. What were the total revenues in FY01 and I will tell you what it is?

Mr. Sherman stated I have about a 3.2% increase.

Alderman Gatsas asked how about if you give me the number and I can put it in here.

Mr. Sherman answered last year's actual was about \$42 million.

Mayor Baines asked and we are going to hit approximately what for FY02.

Mr. Sherman answered we are going to hit about \$43.4 million.

Alderman Gatsas stated if I look at Page 2 of your graph there is approximately a \$12 million difference between FY01 and FY02.

Mr. Sherman replied yes but this has School in it.

Alderman Gatsas responded I understand but I believe the additional funds that School received from Claremont were about \$6 million.

Mr. Sherman replied I thought it was closer to \$8 million.

Alderman Gatsas stated so it is about \$40 million in revenue because it looks like about a 12% number.

Mr. Sherman replied I think it is closer to 11% but...

Alderman Gatsas interjected I am just saying that it looks more like a 10% growth number than a 3%.

Mr. Sherman stated which it probably was with that \$8 million in there but on the City side we went from \$42 million to the \$43.4 million.

Mayor Baines asked which is about 3.5% you said.

Mr. Clougherty answered about 3.7%.

Alderman Gatsas asked and what was the growth from FY00 to FY01.

Mr. Sherman stated we went from about \$37 million to the \$42 million. The problem there is it has the chargebacks in it.

Alderman Gatsas asked but don't we have the chargebacks in FY01.

Mr. Sherman answered yes but not in FY00. No wait, FY00 would have chargebacks in it. That is right, it went from \$37 million to \$42 million. That is about right.

Alderman Gatsas asked so that is about a 12% increase.

Mr. Sherman answered yes, well 13.5% actually.

Alderman O'Neil stated it doesn't sound like it is possible to go back five years and figure out the numbers for a comparison.

Mr. Sherman replied I tried but again you had Claremont money coming in and you had chargeback issues coming in.

Alderman O'Neil asked do you think in a week you could try to do a comparison just to...or are we never going to get there because there are just too many factors involved.

Mr. Sherman answered if you want, just like I pulled out the health claims audit and I pulled out bag and tag I can pull out the few items...

Alderman O'Neil interjected it might help paint some kind of picture for us.

Mr. Sherman stated yea and what would make it easier from my standpoint is to do just the City side.

Alderman O'Neil responded that is fine.

Alderman Gatsas stated I am looking at a total increase of revenue over two years of 17.2% so I want to see what the expenditure increase was over that two-year period only on the City side.

Mr. Sherman asked for which period.

Alderman Gatsas answered for FY00 to FY01 and from FY01 to FY02.

Mr. Sherman stated for FY00 we had \$90 million. For FY01 we were at \$94 million and for this year we are at \$103 million. It is the budget.

Alderman Gatsas asked so expenditures last year went from...I am trying to base it off...rather than going down to the bottom square I am trying to compare apples to apples because we are comparing a 17.2% increase on the first half with the agencies and rather than try to drop it down I am looking at the agencies, not the non-departmental.

Mr. Sherman answered I would have to go back and get that. The numbers that are in our financial statements have it all blended together.

Alderman Lopez stated I would like to talk a little bit about the bag and tag in your budget. I have had a number of calls...I even had one person tell me that they were for bag and tag. I would like to really remove that from your budget tonight.

Mayor Baines stated what I would only ask and as I said during my budget message I put that out there as an issue simply to begin thinking about. I think when we do Highway if they could at least make a presentation so we understand all of the numbers...

Alderman Lopez interjected if I may continue six years ago a presentation was made before the Mayor and Aldermen against bag and tag and some of the numbers that were used at that time were \$1.60 per bag versus what we are talking about today, which is \$1.10 for a small bag. I believe that even taking it out you are talking about putting 18 cents back on the tax rate. I think as we go through the process here we will be able to eliminate that 18 cents so I really believe that the bag and tag should be an educational process like Dover was and it took them a long time and it was done on a volunteer basis versus a mandatory basis because there are a lot of issues. I don't think the City of Manchester is ready to just jump

into the bag and tag. Therefore, I respectfully request that I be allowed to put a motion on the floor to eliminate it from your budget.

Mayor Baines stated it would just be a Finance Committee recommendation at this point in time but I would accept that.

Alderman Shea duly seconded the motion.

Alderman Gatsas asked are we working... isn't this budget process now our budget so we are not looking to remove it from the Mayor's budget because we can't...

Mayor Baines interjected it is really developing a budget at the end as the total Board of Mayor and Aldermen.

Alderman Gatsas stated we need to develop a budget because if we don't have enough votes on whatever we bring forward then the Mayor's bag and tag stands.

Alderman Lopez replied if it stands he could veto the recommendation. If we remove it we have increased the tax rate 18 cents.

Alderman Gatsas responded trust me I am not speaking in favor of leaving it there. I am just saying that to develop where we are going, this budget is now the Board's budget...

Mayor Baines interjected the Board of Mayor and Aldermen.

Alderman Gatsas stated well I think your budget is the one you presented to us.

Mayor Baines replied right and now it is the Board of Mayor and Aldermen's budget at the end.

Alderman Gatsas responded right but the budget that we would be working on would be the Board's budget to come forward and if there aren't enough votes then yours becomes the budget.

Alderman Lopez asked may I continue talking about this for a few minutes. The Mayor presented \$134,794,625 and that is \$26.20 on the tax rate. If we take the bag and tag out, that becomes \$135,730,808, which now becomes \$26.38 or 18 more cents. The new number to cut from and I think that is the basic number we should look at and not fool ourselves on the bag and tag, is \$135,730,808. That becomes the tax dollars that we are talking about. If we work from that number, I believe that we can eliminate that 18 cents and also at the same time in the long process have an educational process with the environmental individual who will

be coming to work at the Highway Department. I really truly believe just like six years ago today the same problem that we had...we have people out there who are absolutely against it and I think it is an educational process just like everything else. In the end if some good recommendations or sections of the City were done on a monthly basis or on a three-month trial maybe this thing would catch on. It is like recycling. Unless you have the people picking it up, it is not going to do any good. I know a lot of people who recycle, including my own wife, and they don't pick it up. I think there are a lot of problems. I am asking if the Aldermen can keep that number there and let's work from the number eliminating bag and tag. That is what I am asking for.

Alderman Wihby stated for clarification even if we voted today to eliminate bag and tag, if it is not done in the budget when we adopt the budget and for some reason there are not eight votes to change the number, the Mayor's number gets adopted and it is in anyway. My feeling is that it should be done at the same time the budget is adopted. If you are going to change the number you would cut bag and tag out and adopt a new number. If you are not going to change the number, even if you make a motion today, it is still in the Mayor's number.

Mayor Baines stated I think procedurally to look at it you don't change the numbers at all until the end of the process. I don't know procedurally how you even deal with this in the Committee on Finance at this point.

Alderman Lopez stated I completely understand what you are saying and I am very familiar with the process. Let's not kid ourselves. Just a show of hands how many Aldermen are going to vote for bag and tag and we should put our brains to putting that number on the table. If you don't want bag and tag and the tax rate is \$26.38, that is the number we have to work from and let's not kid ourselves in the end. I understand the veto power of the Mayor and you need the votes and everything else but does this Board...can we work from the number eliminating bag and tag so we don't kid ourselves?

Mayor Baines stated the only thing I would suggest and if you want to do that I have no problem with it but I think there would be some benefit in having the discussion about solid waste and the issue that we are facing because at some point in time as you know because you have looked at this issue, we are going to be forced to do something like that eventually anyway. We need to start increasing the amount of recycling in the City. I forget the percentages, Frank but if you decrease your solid waste by 10% it is about \$300,000. That is what sticks in my mind. That is a lot of money that you start talking about with recycling and when you start talking about bag and tag you are really talking about moving toward a mandatory recycling program simply because it is a huge dollar amount, especially at some point down the road when we go out to rebid our solid waste contract.

Am I misspeaking at all, Frank on that, that those costs are going to go up significantly? We need to have a discussion about it. I understood...as you know during my budget message I said this is almost dead on arrival, I understand that, but in some way we need to start talking about, even through this budget process, of decreasing the amount of solid waste. We have to have a discussion about that because if you are going to talk long-term...we had some discussions about thinking long-term in the City...if 10% equals \$300,000 if you start doing the math here that starts to become a significant amount of money. Twenty-five communities here in the State of NH have gone to this process. It is a process that is being promoted by the Environmental Protection Agency because they know that this is going to be an issue of the future. So at some point we need to have a discussion about this whether it is during the budget process or not. I just want you to keep that in mind because there are a lot of dollars involved in this. It is not just about \$1 for a bag, it is about decreasing the amount of solid waste. If you have some suggestions about that, I would like to hear it as well.

Alderman Lopez stated I am very familiar with the dollar amount but I am also...in reviewing the minutes from six years ago and the testimony of a number of people it is just not the right way to go to throw it down people's throats. I agree with you that we should talk about this in the coming months and have the Director of Highway give us an education on it but to have it in the budget and have the people get upset or whatever the case may be isn't right. If all of the Aldermen here are for bag and tag, raise your hand. I don't think there are any Aldermen here who want to do that so let's not kid ourselves. That is all I am saying.

Mayor Baines replied I have no problem with that but I would also ask how many people are in favor of decreasing solid waste. We have to figure out how to do that long-term. It is great to say I am opposed to it because personally as a consumer I am opposed to it but if we are going to look at the future and decreasing solid waste we have to address that issue and I don't know when you address it unless it is when you are trying to figure out how to pay your bills for the City and also decrease the amount of solid waste. If you can come up with a way of decreasing solid waste without bag and tag I think the community needs to hear it because we have to do a better job of recycling.

Alderman Thibault asked I wonder if anybody ever looked into the possibility of...especially absentee landlords I want to look at, if they don't recycle they should pay bag and tag. The people who don't recycle should pay bag and tag. Now I don't know if there is a way of figuring this out but it would seem to me that this would be the way to implement recycling. If, in fact, you are going to tell people if you don't start recycling we are going to charge you bag and tag because we are going to have to. I think that if we get the word out here and maybe

advertise it in some way that if the people don't start recycling more than they are now they will be charged \$1 per bag.

Mayor Baines stated we are going to have the Highway in on Monday night so I would ask that we defer this discussion until then and not take up any more time tonight. The other thing is I want to talk to the City Solicitor about how to deal with the motion when we are really dealing with a total budget at the end. If we could defer it?

Alderman Lopez replied that is fine.

Mr. Clougherty stated the agenda called for a discussion of revenues and non-departmental. Do you want us to go through non-departmental? We can keep it simple and stick to the same one sheet. It seems to be working so far. The line items that are listed as non-departmental are the ones that fall in that second category beginning with contingency. On some of these I will let Wayne speak to them because he developed some and some are ours. For the most part you can see that what is projected in the Mayor's expenditure column is pretty close to what has been carried through for expenditures this year. You can see that there are some retirement items that have been moved. We have that pension obligation bond where we issued the bonds and now the bonds are paying for that so it is not a general fund expenditure. The health audit is still continuing but instead of being at the \$2 million level, it is at \$500,000. There is a line for the school deficit but we didn't put anything in there. The last two items are your debt service. What is included in there is the actual debt that we have to pay based on the bonds that have been issued to date. There is no money in there for a new bond issue for next year. We are not anticipating issuing debt. If we do issue debt it will be at the end of the year so the debt service effect would be in the following year. What is in there is our statutory...our contractual obligation to pay principle and interest that is currently outstanding. We haven't put anything in there different than what we have incurred. Wayne, do you want to talk about any of the items in terms of contingency? I think that stayed about the same. There is some slight difference in civic contributions.

Mr. Robinson stated that is basically it unless there are any questions.

Alderman Osborne stated I have a question on the county tax. From my understanding in FY02 it was \$8,736,858?

Mr. Clougherty replied right.

Alderman Osborne stated from what I understand in June they are going to be somewhere in the area of \$6.7 million or \$7.7 million. There is a \$1 million play there somewhere.

Mr. Clougherty replied what happens in the county budget is it is not a number that we control. Whatever it is, we have to cover that and when we go to set the tax rate if the county is up it is going to be whatever it is. We can't dictate to the county what we want to pay them. Whatever that number is when we go in November is going to be paid. What we are looking at is a slight increase over this year. We have talked to their Administration. They have told us that this is a year where they expect to see a slight increase. They have a surplus that in an election year they tend to use to offset any tax impact. The other factor that affects us there is our size. We pay a proportion based on what our size is versus all of the other cities and towns in the county so depending on how they grow or we grow, our share can go up or down. The increase in there I think was 3% and that was based on discussions with people at the county.

Alderman Osborne asked what figure are they approving in June.

Mr. Clougherty answered in June they adopt their budget and then once their budget is adopted then they prorate a portion of that budget to all of the towns that are in the county and then depending on your size...so if this year we are bigger than we were last year and then they look at the valuation.

Alderman Gatsas asked, Randy, I guess I have to ask the question. There are three columns that I am looking at. The column that has nothing over the top of it...

Mr. Sherman interjected I told you this was my own spreadsheet. It wasn't supposed to be handed out. This isn't the one that Wayne did that was the official handout that you had.

Alderman Gatsas stated I was just wondering what person would have talked about a tax rate of \$29.18. Don't answer that.

Alderman Wihby stated so the number that the Mayor used in the non-departmental in the new budget, that is the \$19,820,777.

Mr. Sherman replied yes.

Alderman Wihby asked so you know there are numbers missing in there. Where did you say those were?

Mr. Sherman asked where those blanks are? Those numbers are actually budgeted up under HR. Contributory retirement, unemployment, tuition, etc.

Alderman Wihby asked under the HR Department or in each individual...

Mr. Sherman interjected in the Human Resource budget.

Alderman Shea asked if I were to look at the maturing debt and interest on maturing debt, the interest has gone up almost \$9 million. Now do you see a continuous rise in the interest that you are going to pay on maturing debt? In other words, next year is that going to be another \$1.8 million?

Mr. Sherman answered what that is is we issued pension obligation bonds. You used to pay for the old pensioners on a pay as you go basis. You had about a \$20 million liability there. What we did is we issued debt and wiped that \$20 million off the books and replaced it with debt so that we can pay it and get it over with and it is gone. Now that it is not an unfunded liability it is truly funded so where you see the big increase this year on your debt service, that is because you have a new \$20 million bond that in past years was in another line item. So it has just shifted down. That is the debt that we issued that stays...it is roughly about \$190,000 a year by the fact that we issued that.

Mr. Clougherty stated what we pay on the debt service on those bonds is less than what we would pay for the actual appropriation pay as you go.

Alderman Shea asked but do you see a continuous steady amount for both the maturing debt and the interest on the maturing debt. Do you see that stabilizing at any point? Do you see that continuously rising?

Mr. Clougherty answered it has to rise as you grow but proportionately what we are trying to do is keep it at a balanced level. That is why we are trying to issue the bond debt. We usually go out every couple of years with about \$20 million and during that same time period we are retiring about that much debt. We are trying to keep it balanced.

Alderman Shea asked do you keep it within a certain percentage. Is that what you are saying you are doing?

Mr. Clougherty answered we have those guidelines that the Board adopted that talks about keeping it within a certain amount of our budget and there are certain requirements that you have to meet in order to keep your rating with the credit rating agencies. That is your debt per capita, your debt as a percentage of your valuation...all of those criteria we run schedules out and stay within them.

Alderman Shea asked what percentage would you say you usually try to keep within. Is it 5-8%?

Mr. Sherman answered 8% as a percentage of the budget is about right. Sometimes it will get a little higher as we issue more debt and it goes up and down.

Mr. Clougherty stated it goes year to year also.

Alderman Smith stated getting back to the health audit, what do you anticipate or project that we will receive from the health insurance claims. Do you have any projections?

Mr. Sherman replied they have actually identified in excess of \$500,000 of items that they think we have paid that they have questions on. Realistically, we might see another \$100,000 or so. Again, I think as they find it Anthem can them go back and provide the documentation and so forth. I think we had talked one other time, we have an issue with the subrogation where they actually want to go for one \$200,000 item, they want to go after another insurance company. That could take years to go after something like that and then you might end up with only pennies on the dollar when you are done. It is really hard to ballpark it. I would say in that \$100,000 range we might see.

Alderman Gatsas stated if I take the \$660,000, the \$40,000 and the \$144,000 and I assume those numbers are in your abstract column that are the voids in the expenditures on the Mayor's side, those are the numbers that go up to HR is that correct.

Mr. Sherman replied right.

Alderman Gatsas asked so the total of \$844,000 goes up to that number.

Mr. Sherman answered but that doesn't mean that those were the Mayor's final numbers. Again, this column at one point may have been department requests. I would have to go back to figure out even where those numbers came from.

Mayor Baines stated it looks like requests because that was never under consideration I will assure you.

Mr. Sherman stated this could have been their wish list budget.

Alderman Gatsas asked if I use that number that is in the actual expenditures shown in FY02 and I add that to the HR budget of \$1,158,722, if I add the numbers that we used in FY02 I come up to \$1.9 million and the budgeted number on the Mayor's side is \$1.830 million. That is \$70,000 off versus the FY02 numbers without any increases or decreases.

Mr. Sherman answered well the first thing that would have come out of the HR budget would have been their old pension payments for the old pension liability because that was budgeted in each individual department. Beyond that I can't...there are salary differences and staff differences. I would have to go back to the budget line by line.

Mayor Baines stated we are going to have to close this meeting. Again, we can have them back another time if we need clarification.

There being no further business, on motion of Alderman Smith, duly seconded by Alderman Shea, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee